CO_2) installed in vocational vehicles (including vocational tractors certified pursuant to 40 CFR 1037.630 or exempted pursuant to 40 CFR 1037.631). We will waive this requirement where you demonstrate that less than five percent of the engines in your tractor family were installed in vocational vehicles. For example, if you know that 96 percent of your tractor engines were installed in non-vocational tractors, but cannot determine the vehicle type for the remaining four percent, you may generate credits for all the engines in the family.

(c) As described in §1036.730, compliance with the requirements of this subpart is determined at the end of the model year based on actual U.S.-directed production volumes. Keep appropriate records to document these production volumes. Do not include any of the following engines to calculate emission credits:

(1) Engines that you do not certify to the CO_2 standards of this part because they are permanently exempted under subpart G of this part or under 40 CFR part 1068.

(2) Exported engines.

(3) Engines not subject to the requirements of this part, such as those excluded under §1036.5. For example, do not include engines used in vehicles certified to the greenhouse gas standards of 40 CFR 1037.104.

(4) [Reserved]

(5) Any other engines if we indicate elsewhere in this part 1036 that they are not to be included in the calculations of this subpart.

(d) You may use CO_2 emission credits to show compliance with CH_4 and/or N_2O FELs instead of the otherwise applicable emission standards. To do this, calculate the CH_4 and/or N_2O emission credits needed (negative credits) using the equation in paragraph (b) of this section, using the FEL(s) you specify for your engines during certification instead of the FCL. You must use 25 Mg of positive CO_2 credits to offset 1 Mg of negative CH_4 credits. You must use 298 Mg of positive CO_2 credits to offset 1 Mg of negative N_2O credits.

§1036.710 Averaging.

(a) Averaging is the exchange of emission credits among your engine families. You may average emission credits only within the same averaging set.

(b) You may certify one or more engine families to an FCL above the applicable standard, subject to any applicable FEL caps and other the provisions in subpart B of this part, if you show in your application for certification that your projected balance of all emission-credit transactions in that model year is greater than or equal to zero, or that a negative balance is allowed under §1036.745.

(c) If you certify an engine family to an FCL that exceeds the otherwise applicable standard, you must obtain enough emission credits to offset the engine family's deficit by the due date for the final report required in §1036.730. The emission credits used to address the deficit may come from your other engine families that generate emission credits in the same model year (or from later model years as specified in §1036.745), from emission credits you have banked, or from emission credits you obtain through trading.

§1036.715 Banking.

(a) Banking is the retention of surplus emission credits by the manufacturer generating the emission credits for use in future model years for averaging or trading.

(b) You may designate any emission credits you plan to bank in the reports you submit under §1036.730 as reserved credits. During the model year and before the due date for the final report, you may designate your reserved emission credits for averaging or trading.

(c) Reserved credits become actual emission credits when you submit your final report. However, we may revoke these emission credits if we are unable to verify them after reviewing your reports or auditing your records.

(d) Banked credits retain the designation of the averaging set in which they were generated.

§1036.720 Trading.

(a) Trading is the exchange of emission credits between manufacturers, or the transfer of credits to another party to retire them. You may use traded